

Japanese Carbon and Alloy Flat Product Exclusion Request

Product Category: Plate (#2)

(a)	Product Designation/HTS	<u>Abrasion Resistant Plate</u> 7225.40.30.50
(b)	Product Description	Abrasion resistant steel plate with a Brinell hardness of 360 or more.
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutable Products	See Attachment C

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Willkie Farr & Gallagher

U.S. purchasers of abrasion resistant plate agree that there are only three domestic suppliers of this product -- Bethlehem Steel, Oregon Steel, and U.S. Steel -- and these producers are either unable to meet U.S. demand or do not produce a sufficient quality of abrasion-resistant plate. Many customers prefer to buy from U.S. producers, attempting to buy domestically as much as possible. However, even with the recent economic downturn in the U.S. economy that is affecting demand for the end users' products, U.S. supply does not meet demand. Some customers have stated that when these mills get big orders for other products, they stop supplying the specialty plate.¹

Abrasion resistant plate is used in a variety of applications. Temtco Steel buys U.S. and Japanese plate for truck and trailer beds, mining buckets, and conveyors. Temtco's President, John Paschal, explains that abrasion resistant plate must be highly durable to withstand the stress of these heavy-duty applications.² [] achieves this durability through a unique "quench and roll" process. After rolling, the steel is reheated and drenched with water that increases its strength and hardness. U.S. producers use a "quench and temper" process that results in a lower quality product that is weaker and not as hard as the Japanese plate. []'s product is superior to U.S. plate because it is flatter and cleaner, requiring less processing by Temtco. Despite this quality difference, Temtco buys approximately two-thirds of its requirements from U.S. producers, but as it increased orders, lead times also increased. Temtco must supply its needs for abrasion resistant steel, and therefore turns to Japan as a reliable alternative source.

¹ See Affidavit of Rodger Parr, Sales Manager of Seaport Steel Company (**Attachment D**) (in High Alloy Plate Exhibit).

² See Affidavit of John Paschal, President of Temtco Steel (**Attachment D**).

Beyond supply issues, the U.S. product has an inferior quality than the Japanese plate. [], buys plate products for a variety of end uses.³ [] uses []'s abrasion-resistant plates where hardness is required, such as in the mining industry, and in the production of truck bodies, trailers, and construction cranes. [] confirmed that though there is some domestic production of abrasion-resistant plate, its quality is inferior to the Japanese product. For over half of its production, [] uses abrasion-resistant plate that is half of the A6 ASTM standard tolerance, "so that there are less rejects due to pits, roller marks, and other surface defects."⁴ [] can only buy this superior quality of abrasion-resistant steel from Japan. Len Wolowiec of Universal Steel America-Houston explained that [] product:

will meet my customers needs each and every time. The U.S. mills are not able to achieve this high degree of quality, which is evidenced by their refusal to guarantee their product.⁵

[] explained that his customers specifically request [] abrasion-resistant plate because of its superior quality.⁶ Because the Japanese plate is of such a higher quality than the domestic plate, it does not compete with the domestic plate in many instances. In addition John Paschal stated that this lower quality domestic product must be flattened before it can be used and this creates an additional process and increases their costs of production.⁷

Len Wolowiec buys [] abrasion-resistant plate with titanium. The titanium makes the plate stronger and wears better in high-impact situations. Abrasion-resistant plate without titanium does not perform as well. Mr. Wolowiec explained, "My customers even ask specifically for [] product because they recognize its superior quality and know that no U.S. mill can make it with titanium."⁸ This plate is more expensive than other types of plate, yet customers want it for its superior quality. This product also does not compete with the domestic plate.

Finally, imported abrasion-resistant plate is typically more expensive than U.S. plate. As shown in **Attachment B**, the unit price for abrasion-resistant plate from Japan ranged from [] during the period of investigation. Compare these prices to the pricing data collected by the Commission for the selected pricing products, which are intended to be representative of U.S. prices of plate products in general.⁹ This attachment demonstrates the significant overselling of these specialty products imported from Japan. Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion from any 201 remedy.

³ See Affidavit of [] (**Attachment D**).

⁴ *Id.*

⁵ See Affidavit of Len Wolowiec, President of Universal Steel America-Houston (**Attachment D**).

⁶ See Affidavit of [], Purchasing Manager of [] (**Attachment D**).

⁷ See Supplemental Affidavit of John Paschal, President of Temtco Steel (**Attachment D**).

⁸ *Id.*

⁹ See ITC's Staff Report at Table FLAT-67 (public version).

These purchasers would be buying the domestic plate if it met their specifications. However, it does not. As Mr. Paschal stated:

Over 90% of the steel we buy is from domestic mills. We would love to purchase 100% domestically, but there are instances where the domestic product is not as good as the imported product. This abrasion-resistant plate is one of those instances. Placing higher duties on this product will only hurt the end-use customers because there are instances where the domestic steel is not suitable.¹⁰

These products should be excluded from any remedy in this investigation because they are not produced domestically, and most importantly, because, “[p]utting quotas or high duties on these products would ... only serve to force U.S. purchasers, like [redacted], to pay a higher price, or prevent us from buying the necessary quantities to meet our customers’ needs.”¹¹ Therefore, the domestic industry would not benefit from higher tariffs or quotas on this specialty plate product. Such additional restraints would only needlessly harm purchasers. The USTR should avoid such unintended consequences of this overly broad investigation and recommend that abrasion resistant plate be excluded from any 201 remedy.

¹⁰ See Supplemental Affidavit of John Paschal, President of Temtco Steel (**Attachment D**).

¹¹ See Affidavit of [redacted] (**Attachment D**).

Attachment A

Foreign Producers

(1) NKK Corporation

- Address: 1-1-2, Marunouchi Chiyoda-ku, Tokyo 100, Japan
- Phone: 011-81-3-3217-2444
- Fax: 011-81-3-3214-8417

(2) Kawasaki Steel Corporation

- Address: Hibiya Kokusai Bldg., 2-3, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan
- Phone: 011-81-3-3597-4019
- Fax: 011-81-3-3597-3749

(3) Sumitomo Metal Industries, Ltd.

- Address: Triton Square Office Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-6111, Japan
- Phone: 011-81-3-4416-6148
- Fax: 011-81-3-4416-6788

(4) Kobe Steel, Ltd.

- Address: 9-12, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo 141-8688, Japan
- Phone: 011-81-3-5739-6152
- Fax: 011-81-3-5739-6923

Domestic Producers

(1) Bethlehem Steel Corp., Bethlehem, PA

(2) Oregon Steel Mills Inc., Portland, OR

(3) U.S. Steel Group, Pittsburgh, PA

PLATE

Abrasion Resistant Plate

Quantity						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[0	0	0	0	1,241	0	0	1,241	1,170	1,170	1,170	1,170
	5,231	7,285	14,123	6,012	13,999	6,721	4,964	15,332	16,260	15,332	16,260	15,332
	0	0	0	0	1,830	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
Total	5,231	7,285	14,123	6,012	17,069	6,721	4,964	16,572	17,430	16,502	17,430	16,502]

Value *						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[0	0	0	0	613,121	437,753	0	650,248	613,121	650,248	613,121	650,248
	3,325,816	4,961,704	8,895,653	3,667,802	6,954,311	3,274,222	2,278,423	7,037,436	7,037,436	7,037,436	7,037,436	7,037,436
	0	0	0	0	1,113,919	0	0	0	278,314	295,167	278,314	278,314
	0	0	0	0	0	0	0	0	195,308	244,135	244,135	258,918
Total	3,325,816	4,961,704	8,895,653	3,667,802	8,681,351	3,711,976	2,278,423	7,687,683	8,124,178	8,226,985	8,173,005	8,224,916]

[Unit Price 0 0 0 0 0 0 0]

U.S. Production	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Imports from Other	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Countries	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Total U.S.	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Consumption	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

PUBLIC VERSION

**AFFIDAVIT OF
JOHN PASCHAL
PRESIDENT, TEMTCO STEEL**

I, John Paschal, declare and state to the best of my knowledge, information, and belief, that:

1. I am President of Temtco Steel in Louisville, Mississippi. Temtco buys abrasion resistant plate for industrial end uses, such as truck and trailer beds, mining buckets, and conveyors. Although Temtco is committed to purchasing the majority of its steel plate requirements from U.S. producers, there simply is not enough abrasion resistant plate made domestically to satisfy demand.

2. Temtco relies on a consistent supply of reliable, high quality abrasion resistant plate. Temtco buys approximately one-half of its needs from three domestic producers, Bethlehem, U.S.X., and Oregon Steel, but must buy from foreign suppliers to fill the shortage in U.S. supply. We also depend on the availability of imported material because some of our customers are not satisfied with the quality of plate produced in the United States. In particular, Temtco buys an abrasion resistant alloy plate from [] Corporation of Japan, known as "Everhard." [] production process is unique and results in a better product.

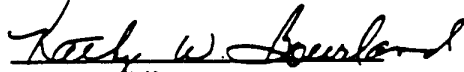
3. We process plate for end uses that are subject to extreme conditions. Stronger and harder plate improves durability and therefore improves the quality of our final product. For example, some of our customers require us to use only []'s plate, which is strong enough to be used in heavy-duty applications like the inside shell of dump trucks, but also has a very flat and clean surface. The [] material is much easier to work with because the material builds up less stress, has a cleaner surface for cutting, and is very flat.

4. Our competitiveness depends on providing a high quality product in sufficient quantities to meet our customers' needs. Temtco therefore buys its raw materials from U.S. suppliers as often as possible. When supply is not available or the quality is insufficient, then we must buy from abroad. We do not believe that the U.S. plate industry is injured by these imports. If the Commission recommends restricting these imports, it would severely harm our ability to purchase necessary raw materials - increasing our costs and limiting supply, which could inhibit our ability to produce the products our customers require. I encourage the Commission to determine that no safeguards remedy is needed for abrasion resistant plates.


John Paschal

Dated: 9/5/2001

Subscribed and sworn to before me this 5th day of September, 2001.


Notary Public

My commission expires:

NOTARY PUBLIC STATE OF MISSISSIPPI AT LARGE
MY COMMISSION EXPIRES: Sep 9, 2005
BONDED THRU NOTARY PUBLIC UNDERWRITERS

PUBLIC VERSION

AFFIDAVIT OF LEN WOLOWIEC
PRESIDENT, UNIVERSAL STEEL AMERICA -- HOUSTON, INC.

1 PUBLIC VERSION

I, Len Wolowiec, declare and state to the best of my knowledge, information, and belief, that:

1. I am the President of Universal Steel America -- Houston, in Houston, Texas. I have been buying plate for over twenty-eight years. We purchase [] abrasion-resistant plate with titanium [] as well as their guaranteed abrasion-resistant plate [].
2. The abrasion-resistant plate with titanium is used in applications where the plate must be very strong and consistently high-quality. The titanium gives the plate superior properties for mining and wear applications. We use this plate to line and protect equipment in high-impact environments, such as mines, quarries, and cement plants. The titanium allows steel to withstand hard use and maintain its smoothness to enable materials such as rocks and minerals to slide easily over it.
3. I can only find this abrasion-resistant plate with titanium in Japan. The Japanese developed this product in the early 90's and the U.S. steel industry has not been able to duplicate it. Titanium is quite difficult to work with, which might be why the U.S. mills have not yet entered this market.
4. Plain abrasion-resistant plate without the titanium is not substitutable for [] product. My customers even ask specifically for [] product because they recognize its superior quality and know that no U.S. mill can make it with titanium. This product is more expensive than abrasion-resistant plate without titanium. Yes, I would buy the cheaper U.S. product if it met my needs. However, it does not, and I would lose customers if I was not able to purchase [] product.
5. The second specialty plate product that I purchase from [] is its guaranteed abrasion-resistant plate, []. [] is able to produce an abrasion-resistant plate that is so uniform and consistent that it is able to guarantee its weldability. I know that this will meet my customers needs each and every time. The U.S. mills are not able to achieve this high degree of quality, which is evidenced by their refusal to guarantee their product. [] knows that its product is of such an unparalleled high quality that it will refund my money or replace the product if it does not meet the physical property specifications.
6. I willingly pay a higher price for [] guaranteed plate because the demands of my business require a consistently high-quality product. When I buy [] guaranteed abrasion-resistant plate, I know for certain that I will be able to use it with only a miniscule amount of waste. Most importantly, my customers come

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to rely on me to provide a consistently high-quality product. I would lose some of my customers if I was not able to supply them with [] abrasion-resistant plate.

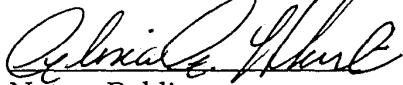
7. These plate products produced by [] are not available in the United States, either because domestic producers cannot or refuse to produce them. My business would suffer if I was not able to buy these products at competitive prices. Because they do not compete with the U.S. plate, they should be excluded from this 201 Steel investigation.



Mr. Len Wolowiec
President of Universal Steel America
Houston, Texas

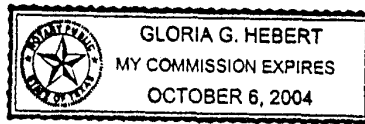
Dated: 10-24-01

Subscribed and sworn to before me this 24 day of October, 2001.



Notary Public

My commission expires:



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PUBLIC VERSION

AFFIDAVIT OF []

I, [], declare and state to the best of my knowledge, information, and belief, that:

1. []. We buy both abrasion-resistant plate and high tensile alloy steel plate for our products. We have tried to buy it domestically, some of our customers even requested us to, however, there is no domestically produced product that meets our specifications. In fact, high tensile non-quenched alloy plate is not even produced in the United States.

2. High tensile non-quenched alloy plate is used in shipbuilding, production of trailers, and oil patch work, and is high load bearing. Its tensile strength is 90ksi and over, and includes [] grades. This product is not sold in the United States, and is only available in Japan. This product is "as rolled" and rolled one at time and is put through a thermomechanically controlled process to yield a strong product that is high load bearing.

3. Abrasion-resistant steel is used in the production of truck bodies, trailers, construction cranes, and has a wear-resistant hardness. The Brinell hardness is 360 and over. The product available domestically is of a lesser quality than the Japanese product. The quality that we require for over half of our production is only available in Japan. For this production, we require a surface quality that is half of the A6 ASTM standard tolerance, so that there are less rejects due to pits, roller marks, and other surface defects. For our purposes, we use the Japanese product because of the higher quality it provides.

4. Again, we prefer to buy our raw materials from the United States if at all possible. However, neither high tensile non-quenched alloy plate nor the high quality abrasion-resistant plate is available domestically, and so, these should be excluded from the 201 case. Putting quotas or high duties on these products would not benefit anyone in the domestic industry and would only serve to force U.S. purchasers, like [], to pay a higher price, or prevent us from buying the necessary quantities to meet our customers' needs.

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AFFIDAVIT OF []

I, [] declare and state to the best of my knowledge, information, and belief, that:

1. I am a []
[] has been buying abrasion resistant steel plate from []
[] 20 years [] is a distributor of steel and steel products and we service the northwestern region of the United States.
2. The abrasion resistant grade plate that we purchase from [] is a specialty product with unique performance characteristics including hardness, heat and abrasion-resistance and is used in applications where the steel must be very strong and durable. Our customers, specifically the pulp and paper industry use this high grade steel in their facilities.
3. Our customers have never made a complaint about the quality of the [] product. In fact, our customers feel this is such an excellent quality product that they specifically request it in their orders. Consequently, because of the high level of satisfaction, we have never looked for alternatives. The [] product is highly reliable and has uniform performance characteristics in each order. My customers give product has high marks with respect to reliability. I am not aware of whether or not [] makes a comparable product, because quite frankly, we've never had a reason to look elsewhere. Moreover, it would be cost prohibitive to ship the corrosion resistant plate from mills on the east coast.
4. Because of the quality standards imposed by our customers, we are required to purchase from [] in order to keep our customers satisfied. We can not find a product of this quality in the United States, therefore, I believe it should be excluded from the orders imposed by the 201 action.

Dated: 11/8/01

PUBLIC VERSION



TEMTCO STEEL

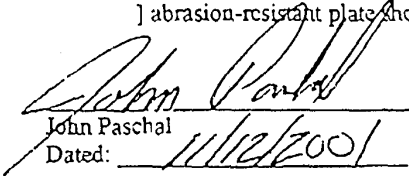
650 North Church Avenue / Louisville, Mississippi 39339-2017
Phone (662) 773-4445 FAX (662) 773-3276
Toll Free: 1-800-782-6214 or 1-800-647-6228

PUBLIC VERSION

**SUPPLEMENTAL AFFIDAVIT OF
JOHN PASCHAL
PRESIDENT, TEMTCO STEEL**

I, John Paschal, declare and state to the best of my knowledge, information, and belief, that:

1. I am President of Temtco Steel in Louisville, Mississippi. Temtco buys abrasion-resistant plate for industrial end uses, such as truck and trailer beds, mining buckets, and conveyors. I am writing this supplemental affidavit to speak about [] abrasion-resistant plate. Although Temtco is committed to purchasing the vast majority of its steel plate requirements from U.S. producers, there are times when the domestic plate will not meet my specifications.
2. [] is able to produce a higher-quality plate that has a very flat surface and is very clean. We need the plate to be flat so that we can cut it and ship it out to our customers. The domestic plate does not come in as flat as []. That forces us to try and flatten it. This creates an extra process for us and increases our costs of production. In addition, there are some instances where the plate cannot be flattened enough to meet our needs and is unusable.
3. This is a heat-treated plate that is water-quenched. When the domestic mills do this process they produce a plate that will scale. Not only does this hinder the aesthetic qualities, it makes the plate more difficult to cut. Some of our customers specifically request the higher quality Japanese plate and so we must be able to provide it for them. There are some circumstances where we would lose customers if we were not able to provide them with the higher-quality Japanese product.
4. I have been in this business for over twenty-two years. Over that time the domestic mills have tried to improve their quality. They have never been able to match the quality of the Japanese plate. Over 90% of the steel we buy is from domestic mills. We would love to purchase 100% domestically, but there are instances where the domestic product is not as good as the imported product. This abrasion-resistant plate is one of those instances. Placing higher duties on this product will only hurt the end-use customers because there are instances where the domestic steel is not suitable. Specialty steel, such as [] abrasion-resistant plate should be excluded from this investigation.


John Paschal

Dated: 11/12/2001

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